

Phase I Environmental Assessment

Owners (Developers/Borrowers) should be aware of the environmental implications associated with their property. Before committing loan proceeds to a particular use, the Minnesota Housing Finance Agency (Minnesota Housing) may require an independent environmental assessment company conduct a Phase I Environmental Assessment of the entire property. All applicable federal, state and local regulations shall be adhered to.

Purpose: To thoroughly investigate the entire property for the presence or absence of recognized environmental conditions.

Requirements:

1. Minnesota Housing requires a Phase I Environmental Site Assessment (Phase I ESA) of a property if any of the following conditions exist:
 - The Minnesota Housing loan will be in first lien position, whether amortizing or non-amortizing;
 - Prior to commencing foreclosure; or
 - For junior mortgages of \$300,000 or more.
2. If a Phase I ESA is required, it shall be conducted by a [qualified environmental assessor](#) in strict conformance to the most current ASTM Phase I Environmental Assessment (E 1527) standards, and be dated within one-year of selection.
3. As normal environmental assessment work proceeds, Environmental Assessor shall look for evidence of methamphetamine (meth) manufacturing labs. Some signs that may indicate evidence of a former drug lab include:
 - Dark stains from chemicals in the bathtubs, sinks, toilets, or walls;
 - Signs of chemical burns or spills;
 - Visible areas in the yard where chemicals have been dumped;
 - Packaging or containers from chemicals or cold medicine;
 - Burn piles in the yard with signs of meth ingredients;
 - Dead or dying vegetation; and
 - Chemical (sweet, bitter, ammonia or solvent) odors.
4. A complete report describing scope, methods and conclusions of the Phase I ESA shall be prepared and multiple copies sent to the Owner. An executive summary shall be contained in the report that briefly describes the presence or absence of recognized environmental conditions.
5. The Minnesota Housing will require an [Environmental Review Reliance Letter](#) on the environmental company's letterhead if the actual report does not name Minnesota Housing as having the right to rely on the contents of the Phase I ESA. The required language to be contained in this letter is available.
6. Existing structures: An asbestos inspection/survey and/or lead evaluation/hazard reduction may be required by Minnesota Housing and/or applicable regulations. Please refer to the following for more information:
 - [Minnesota Housing's Asbestos Inspection/Survey Requirements](#)
 - [Minnesota Housing's Lead-Based Paint Policy](#)

Disclosure: Owners are required to comply with all applicable disclosure requirements. This includes, but not limited to, providing Minnesota Housing and any Contractors, who are bidding or performing work on the property, with copies of all environmental assessment reports; and providing the Environmental Assessor with the scope of proposed work, such that the Environmental Assessor is aware of any materials that are likely to be disturbed during the proposed site improvement activities.